

# Humana Echoes Obamacare Warning Following UnitedHealth Exits

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- ▶ Insurer to quit Alabama and Virginia, shrinking choices
- ▶ Humana may boost rates, change plans to turn around business

Humana Inc. is set to exit Obamacare markets in at least two states to stem financial losses, another sign of the struggles that health insurers face in the controversial program after UnitedHealth Group Inc. moved to back out of most of the government-run exchanges.

Humana won't sell Affordable Care Act plans in Alabama and Virginia in 2017, according to state regulators. The insurer warned Wednesday that it plans to leave some states, saying it's preparing to boost premiums in an effort to make a profit on sales of policies under the ACA.

UnitedHealth, the biggest U.S. health insurance company, has already said it will pull out of ACA exchanges in at least 26 of the 34 states where it sold 2016 coverage and expects to lose \$650 million this year on Obamacare plans. The two companies' retreat suggests that the health program, intended to increase individuals' access to private coverage, has some serious drawbacks for insurers, said Robert Laszewski, an industry consultant.

"If you thought it was going to get fixed in a year or two, you'd stick around," said Laszewski, who runs Health Policy and Strategy Associates. "The implications of that are that the program just isn't working in its current form."

## Sole Choice

After UnitedHealth and Humana leave at the end of this year, Blue Cross and Blue Shield of Alabama will be the sole choice on the state's individual Obamacare market. While other plans could still choose to sell in the state, Mark Fowler, chief of staff at the Alabama Department of Insurance, said he's not aware of any.

Humana, slated for acquisition by Aetna Inc., said Wednesday that members who stayed with the company's Obamacare policies from 2015 to 2016 were more likely to be hospitalized or use other services than those who had plans and dropped them, contributing to increased costs.



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The company set aside \$176 million in the fourth quarter to cover losses expected from ACA business this year, and added another \$13 million to those reserves in the first quarter.

"There are a number of persistent issues that hinder our ability to offer an affordable, high quality and attractive individual insurance product," Tom Noland, a company spokesman, said by email. He said the insurer will make changes to its product offerings, without specifying them. Humana hasn't said which state markets it plans to leave.

### 'Similar Path'

Humana is a relatively small player in the ACA, with about 554,300 individual members from the exchanges as of March 31. About 12.7 million people picked ACA plans for this year in the government-run markets.

The company offers Obamacare plans in 15 states and overlaps with UnitedHealth mainly in Southern states including Alabama, Georgia and Tennessee, according to Cynthia Cox, who studies the ACA and private health plans at the Kaiser Family Foundation. Regulators in Texas, Florida, Georgia, Louisiana and Missouri, all of which UnitedHealth is leaving, said Humana hasn't told them of its plans.

"We see Humana following a similar path as UnitedHealth for 2017 and expect the company will significantly reduce its overall exposure to the struggling public exchange marketplace," Scott Fidel, an analyst at Credit Suisse Group AG, said in a research note.

### 'Two Choices'

Humana will continue to sell on Tennessee's individual exchange, though it won't sell ACA-compliant plans off the exchange, according to that state's insurance regulator. While Humana has indicated it's discontinuing some offerings in Colorado, it isn't clear whether it's exiting the state's Obamacare market, an insurance official said. States have different deadlines for plans to file their 2017 rates, and for making them public.

In Mississippi, where UnitedHealth is pulling out of the exchange, Humana is staying. The state's insurance regulator has also asked the company to sell Obamacare plans in two additional counties for next year to foster competition.

"It would be good if we had at least two choices in every county," Mike Chaney, the state's insurance commissioner, said by phone.



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Other insurers have fared better in Obamacare, or said they plan to stick it out longer. Centene Corp., which specializes in insuring low-income Medicaid patients, has said it's seeking to expand its profitable exchange business. Aetna is looking to break even on its exchange business this year, and Anthem Inc. is "well positioned for continued growth in the exchange marketplace if the market stabilizes." Chief Executive Officer Joseph Swedish said last week.

Humana said that in states where it stays, it may increase Obamacare plan prices. As medical costs rise and government programs designed to support the ACA's establishment expire, plans across the U.S. may have to boost their rates by a minimum of about 12 percent, according to Bloomberg Intelligence.

Consumers may see these higher costs and limited options just as they're picking President Barack Obama's replacement. Enrollment for 2017 ACA plans begins on Nov. 1, a week before the presidential election.

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